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RHEHNSC/NSC WASHDC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 005978

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SUBJECT: A/S BOUCHER DISCUSSES U.S.-PAKISTAN STRATEGIC
DIALOGUE WITH PAKISTAN MFA

Classified By: Derived from DSCG 05-01, d.

¶1. (C) Summary: Assistant Secretary Boucher reviewed the status of Strategic Dialogue initiatives and options for structuring the Dialogue in April 4-5 meetings with Foreign Minister Kasuri, Foreign Secretary Khan and Additional Secretary for the Americas Shahid Kamal. All sides agreed

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that the Dialogue marked a major step forward in the bilateral relationship. The Pakistani side welcomed A/S Boucher's report on work that is already underway, and noted that they have appointed co-chairs for some of the Dialogue topics. MFA reps did not have strongly held views about how the Dialogue might be structured, but were receptive to proposals offered by A/S Boucher. End Summary.

¶2. (C) In all of A/S Boucher's meetings at the Ministry of Foreign Affairs, counterparts praised the Strategic Dialogue as a major advance in the U.S.-Pakistan relationship. Foreign Minister Kasuri commented that the inauguration of a Strategic Partnership during President Bush's visit had broadened the bilateral relationship. He welcomed the fact that this would be institutionalized in the Dialogue. Foreign Secretary Riaz Khan alluded to perceived ups and downs in the relationship over the years and said that, in the public eye, the Dialogue would be seen as a welcome sign of a new and more stable friendship.

Initiatives:

¶3. (C) A/S Boucher used his Islamabad meetings to review progress already underway under the Dialogue, including energy discussions launched during Energy Secretary Bodman's visit, expansion of the Fulbright program, inauguration of a University Exchange program with Southern Methodist University, and Science and Technology initiatives. Riaz Khan emphasized the need for "real projects" that would symbolize the deepening bilateral relationship.

¶4. (C) Khan said the Bilateral Investment Treaty was with the Prime Minister's Office and there were still several outstanding issues, including liability and jurisdiction. An internal meeting had been scheduled later in April to review the issues again, he said. Khan agreed with A/S Boucher that these matters could be addressed in a side letter, rather

than the text of the treaty.

15. (C) A/S Boucher reported that the U.S. is commissioning a study on the Reconstruction Opportunity Zones initiative, in part to lay the groundwork for Congressional approval. Legislation could not be submitted before the fall, he said; in the meantime, the U.S. was looking at product areas, with a view to diversification of exports -- though apparel would be factored in. He encouraged Pakistan to use the planned April 19 Joint Economic Committee meeting with Afghanistan to discuss ROZ ideas.

16. (C) Shahid Kamal said that the Pakistani business community is enthusiastic about the proposed Center for Entrepreneurship and noted that the Beyster Institute of UC San Diego had relevant expertise.

Structure

17. (C) It was clear that the MFA did not have strongly held views about how the Strategic Dialogue should be structured. Riaz Khan was open to the idea of attaching sub-groups to the Dialogue, suggesting that the India-Pakistan Composite Dialogue offered a model, with occasional high-level plenary sessions overseeing reasonably autonomous subgroups. A/S Boucher agreed that the sub-groups should operate autonomously. Khan added that Pakistan was very interested in the various economic, educational and scientific areas, but that the Dialogue should also include a forum for discussing political issues, such as Iran, India and nuclear issues. A/S Boucher agreed, noting that those were good subjects to review in strategic-level discussions, and that in addition Afghanistan and relations with Central Asia should also be included.

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18. (C) Shahid Kamal reported that Pakistan had agreed to the proposed April 26-27 dates for the inaugural Washington meeting of the Strategic Dialogue. He informally suggested that subjects might be divided into three baskets, to address bilateral, regional and global issues. He envisioned that the initial April 26-27 meeting might consist of relatively small delegations and serve as a "curtain raiser" for follow-on subgroup meetings in subsequent weeks. Pakistan had already identified Dr. Ataur Rahman (Chair of the Higher Education Commission) and Finance Secretary Tanvir Ali Agha as likely Pakistani co-chairs of subgroups. A/S Boucher proposed that the April 26-27 session begin with a smaller dinner for senior participants on the 26th. This could be followed by an expanded meeting on the 27th that would include subgroup heads, with a full plenary session to follow -- in which participants would be given their marching orders. Sub-groups would then meet separately and reconvene at the end of the day for a concluding session. Meanwhile, the principals on each side could cover political and strategic topics separately.

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